

MINUTES

Audit and Risk Committee

F19/13/05 – D22/17590 – Open

Date: Tuesday 17 May 2022 at 2pm
Venue: Council Chambers, 63 Miranda Street, Stratford

Present

The District Mayor N C Volzke, P Jones (the Chair), the Deputy Mayor A L Jamieson, Councillor M McKay and Councillor J M S Erwood.

In attendance

Councillors G W Boyde, A K Harris, W J Sandford and G M Webby.

The Chief Executive – Mr Sven Hanne, the Director Assets – Mrs V Araba, the Director Corporate Services – Mrs T Radich, the Administration & Communication Support Officer – Ms R Vanstone, the Health & Safety/Civil Defence Advisor – Mr M Bestall, the Corporate Accountant – Mrs C Craig, the IT Manager – Mr B Coles, the Roading Asset Manager – Mr S Bowden, the Communications Manager – Ms G Gibson and one member of the media (Stratford Press).

Via audio visual link: The Director Environmental Services – Mr B Sutherland, the Director Community Services – Ms K Whareaitu, the Special Projects Manager – Mr S Taylor, the Deloitte Audit Partner – Ms P Thomson.

1. Welcome

- 1.1 The opening karakia 'Kia Uruuru Mai' was led by Councillor M McKay.
- 1.2 The Chair welcomed the District Mayor, Councillors, staff and the media to the meeting. The Chair noted the health and safety message and emergency procedures on page 9 of the agenda.

2. Apologies

Recommendation

THAT an apology be received from Councillor P S Dalziel.

VOLZKE/JONES
Carried
A&R/22/12

3. Announcements

No announcements were made.

4. Declarations of Members Interest

The Chair requested councillors to declare any real or perceived conflicts of interest relating to items on this agenda.

There were no declarations of interest relating to items on this agenda.

5. Attendance Schedule

The attendance schedule for Audit and Risk Committee meetings was noted.

6. Programme of Works
D21/42807 Page 11

Recommendation

THAT the Audit and Risk Committee's rolling programme of works, as amended, up to the end of 2023 be received.

JONES/ERWOOD
Carried
A&R/22/13

The Chair noted the following points:

- That the committee self-review be moved to the September 2022 Audit and Risk Committee meeting prior to local elections.
- That alongside three waters reforms, the Chair will discuss the direction of the RMA reforms and the involvement by local authorities in new planning documents (a public excluded item as not government policy) at the July committee meeting.

7. Confirmation of Minutes

7.1 **Audit and Risk Committee Meeting Minutes – 15 March 2022**
D22/8876 Page 12

Recommendation

THAT the minutes of the Audit and Risk Committee meeting held on Tuesday 15 March 2022 be confirmed as a true and accurate record.

ERWOOD/VOLZKE
Carried
A&R/22/14

8. Matters Outstanding
D18/27474 Page 20

Recommendation

THAT the matters outstanding be received.

McKAY/VOLZKE
Carried
A&R/22/15

The Director Corporate Services noted the following points:

- An audit handover from Audit NZ to Deloitte has taken place and the new Audit Partner has met with the Chief Executive and Director. Deloitte confirm that they will commence the audit in September. It is therefore likely that adoption will be November. The audit plan will be presented to this committee in July.
- A review of Council's contractor management process will form part of the internal audit plan for this year. The plan will come to committee in July and the outcome reported in September.

Questions/Points of clarification:

- It was clarified that the Local Government Commissioner has now finalised the representation review.
- It was clarified that South Taranaki District Council has moved to Deloitte. The Chair noted that other councils had requested a move from Audit NZ but had not received approval to do so. There are

significant resourcing challenges for this years audit completion resulting in extended dates for some councils.

9. Information Report – Health and Safety

D22/15813 Page 21

Recommendation

THAT the report be received.

VOLZKE/JAMIESON
Carried
A&R/22/16

Questions/Points of clarification:

- It was clarified that the bell tower demolition cordon breach by a reporter resulted in a formal complaint to the newspaper concerned and an apology from the newspapers management. Mayor Volzke confirmed that he witnessed the reporter receiving verbal instructions on the day of the incident.
- Mr Bestall clarified that customer aggression toward council staff had lessened. When asked by the Chair for the security strategy, Mr Bestall clarified that personal security cameras are able to be utilised and restrictions to building entry remain in place. With an election pending, the Chair noted the potential for aggressive behaviour to increase. It is expected that there will be a revocation of the rule to disclose residential addresses at the time of nomination for local elections and that this will require a legislative change.

10. Information Report – Capital Works Programme – Key Projects Update

D22/15688 Page 25

Recommendation

THAT the report be received.

Recommended Reason

To present an update on the progress of our key capital projects in the 2021/22 financial year, as requested in the September 2021 Audit and Risk Committee meeting.

McKAY/JONES
Carried
A&R/22/17

The Special Projects Manager reported on the progress of key projects in the capital works programme.

Questions/Points of clarification:

- It was clarified that provision for a dump station is part of the Whangamomona Camping Group Septic Tank installation. Councillor Harris confirmed that a dump station is desirable. Mr Taylor agreed that the NZ Motor Caravan Association would be approached to support the dump station install.
- The Chair sought clarification on supply issues and how these would be expected to affect the programme. Mr Taylor clarified that while supply had been an issue, most projects were proceeding satisfactorily for now. The bigger concern is rising costs. He noted that estimates are seemingly valid for as long as 'the ink takes to dry'.

The Audit Partner joined the meeting at 2.30pm.

The Committee agreed that with the Audit Partner having joined the meeting, the order of the meeting would change and that item 13 – Correspondence would now be discussed.

11. Information Report – Risk Review

D22/16046 Page 32

Recommendation

THAT the report be received.

Recommended Reason

To provide an update to the Audit and Risk Committee of any significant risks and any incidents or threats in relation to significant risks on Council's risk register from the previous quarter.

ERWOOD/JONES

Carried

A&R/22/18

The Director Corporate Services noted the following:

- In terms of *risk 64* staff have been able to maintain continuous service delivery over this time, assisted in the last 12 weeks by split shifts. Council will return to the full team working together on 30 May. Moving forward, SLT will monitor staffing levels and the effects of covid-19 and new variants, on a weekly basis.
- Regarding *risk 78*, RMA and three waters reforms are front of mind. Since the last meeting, there has been an announcement that reforms will proceed.
- With elections coming up, the pecuniary interest register is a new addition to the Candidate Information Handbook resulting in changes to information required to be provided by elected members. It is not known whether these new requirements will impact whether people choose to stand. The handbook will be provided to the Policy and Services Committee on 24 May.
- *Risk 47* was reanalysed in terms of risk scoring due to a higher likelihood of occurrence. With unemployment currently below 3 per cent, council is experiencing a high staff turnover rate but this is a common experience. Council's turnover rates were affected by a number of recently retired long-serving staff. The nature of some council roles is that experienced staff exist in a highly competitive market with some councils prepared to employ officers who live outside of the jurisdiction. Exit interviews show a high level of staff satisfaction. The Council has recently engaged Strategic Pay to review salary bands to ensure that Stratford District Council is paying market rates for individual roles.

Questions/Points of clarification:

- The Chair noted one council had over 10 per cent of staff isolating or sick from Covid-19. He is interested to know the percentage of staff with covid since February of this year and how that compares with other councils. Mr Hanne commented that the organisation had peaked about 3 weeks ago in terms of positive cases and so a gentle reintroduction to work was implemented. He predicted a rise in numbers in coming weeks with the full return of the workforce acknowledging that there had been some negative impacts of the split shift system.
- Councillor Boyde thought that the strategy had worked well in terms of service continuity.

12. Information Report – Audit NZ Matters Outstanding

D22/15540 Page 59

Recommendation

THAT the report be received.

Recommended Reason

This report informs the Committee of the issues identified in the final Audit New Zealand Management Report for the 2020/21 Annual Report and Long Term Plan 2021-31, summarising the actions that have or intend to be taken by Council officers to respond to audit recommendations with respect to each issue raised.

VOLZKE /ERWOOD

Carried

A&R/22/19

The Director Corporate Services noted the following:

- Outstanding audit matters may now be refreshed with the arrival of a new auditor.
- There has been a conversation with Deloitte about the financial budget model. The previous Long Term Plan was formulated on one spreadsheet with multiple tabs; similarly, the most recent Annual Plan. The Director acknowledged the opportunity for error in operating a spreadsheet model. A regional group of Corporate Services, including IT, has been started to find a more efficient tool.

Questions/Points of clarification:

- The Chair asked whether, with expected changes to the next Long Term Plan, is the current model fit for purpose and is it worth investing resources into a system that council might only get the benefit of one LTP from? The Chair is keen to see a risk analysis with the current approach and how it is being mitigated. This will be added to matters outstanding for a report back in July.
- The Chair clarified that a new system would need to be implemented into a new annual plan cycle, so next year.

13. Correspondence

Deloitte, Audit Engagement Letter, 4 May 2022

Page 65

The Director Corporate Services introduced the Deloitte Audit Partner, Ms Pamela Thomson and noted the following:

- The auditor is aiming for a more detailing planning document to be available for the committee's review later in the year.

The Deloitte Audit Partner noted the following:

- Having moved to New Zealand from South Africa in 2017, she was promoted to Audit Partner in 2021. She has significant public service experience.
- Deloitte is responsible for 13 council audits.
- Stratford District Council's Audit NZ files were reviewed earlier in the week and no issues were identified (opening balances will remain).
- Areas of focus in the upcoming audit will be management override controls (the journal entry space), valuation of assets, expenditure, procurement, and severance payments. More detail will be providing in the planning document to be submitted to this committee in July.
- The Director noted that a three waters revaluation has now been completed.
- The Chair asked whether changes in value occurring in the last 12 months is a significant risk. Ms Thomson confirmed that this is an area of focus as well as the significant increase in costs.
- The Chair was aware of at least one council that did a formal revaluation last year and was asked to do another one this year, at significant cost. He asked if we are seeing a spike and whether rates could potentially come down or remain where they are for the longer term. The Chair asked that this question be added to matters outstanding.

The Director Audit departed the meeting at 2.48pm.

The Committee returned to item 11 in the order of the agenda.

14. General Business ...

No general business was discussed.

15. Questions

No questions were asked.

The media left the meeting at 3.08pm.

16. Resolution to Exclude the Public

Recommendation

THAT the public be excluded from the following parts of the proceedings of this meeting, namely:

Agenda Item No: 17

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution to each matter	Grounds under section 48(1) for the passing of this resolution
Cyber security	The withholding of the information is necessary to prevent improper gain or advantage.	The withholding of the information is necessary prevent the disclosure or use of official information for improper gain or improper advantage. Section 7(2)j of the Local Government Official Information and Meetings Act 1987.

McKAY/JAMIESON
Carried
A&R/22/20

17. Public Excluded Item

Recommendation

THAT the open meeting resume.

ERWOOD/McKAY
Carried
A&R/22/22

The Chief Executive recognised that this would be Ms Vanstone's last Audit and Risk meeting as minute-taker as she is moving on. On behalf of the committee Mr Hanne expressed his gratitude.

18. Closing karakia

D21/40748 Page 232

The closing karakia 'Kia Uruuru Mai' was led by the Administration and Communication Support Officer.

The meeting closed at 3.46pm.

P Jones
Chairman

Confirmed this 19th day of July 2022.

N C Volzke
District Mayor